

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on May 24, 2007 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:

Fred M. Jacobs, Commissioner of Health and Senior Services (Chairman); Gus Escher, Public Member; Moshe Cohen, Public Member; Thom Jackson, Public Member (via telephone); Ulysses Lee, Public Member; and Eileen Stokley, Designee of the Commissioner of Human Services;

The following **Authority staff members** were in attendance:

Mark Hopkins, Dennis Hancock, Jim Van Wart, Steve Fillebrown, Michael Ittleson, Suzanne Walton, Susan Tonry, Bill McLaughlin, Lou George, and Stephanie Bilovsky.

The following **representatives from State offices and/or the public** were in attendance:

Edward Tetelman, Department of Health and Senior Services; Patty Moscatello, Frank Taylor, Ponder & Co; Bob Segin, Gerry Lowe, Bob Osler, Virtua Health Inc.; Gary Walsh, Windels, Marx, Lane & Mittendorf; Joan Marron, Victor Chu, UBS Financial Services; James Fearon, GluckWalrath; Alicia O'Donnell, McElwee & Quinn; Bill Scott, Nixon Peabody; Danielle Cheung, JPMorganChase; Lopa Kolluri, Treasurer's Office (via telephone); and, Clifford T. Rones, Deputy Attorney General.

CALL TO ORDER

Commissioner Jacobs called the meeting to order at 10:05 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 25, 2006 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

APPROVAL OF MINUTES

April 26, 2007 Authority Meeting

The minutes for the Authority's April 26, 2007 Authority meeting were distributed for review and approval. Dr. Cohen offered a motion to approve the minutes; Ms. Stokley seconded. Dr. Jacobs voted yes; Dr. Cohen voted yes; Mr. Jackson voted yes; Mr. Lee voted yes; and Ms. Stokley voted yes. The motion carried and the minutes were approved.

RESOLUTION OF APPRECIATION FOR FREIDA PHILLIPS

Dr. Jacobs reported that Freida Phillips was named as the Department of Human Services' Director of Legislative Affairs. As such, she will no longer be serving as the

Authority's Human Services representative. Having served the Authority for almost five years, staff prepared a Resolution of Appreciation in her honor. Mark Hopkins read the resolution (which is attached to these minutes).

Ms. Stokely then stated that, though Ms. Phillips was unable to attend due to legislative meetings, she is honored by the Resolution of Appreciation. Acting Commissioner of the Department of Human Services, Jennifer Velez, expressed through Ms. Stokely, the Department's gratitude for Ms. Phillips' service to the Authority. Ms. Stokely stated that Ms. Phillips' new role as Director of Legislative Affairs involves the advocacy of a number of legislative issues at both the State and Federal levels. With a great number of bills currently affecting the Department of Human Services' clients, the Department is honored to have someone with Ms. Phillips' level of expertise handling these issues. Mr. Jackson moved to approve the Resolution of Appreciation on Ms. Phillips' behalf. Dr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-01
(attached)

Dr. Jacobs then stated that a framed certificate of the resolution will be sent to Ms. Phillips.

BOND SALE REPORTS

Dennis Hancock reported that, since the Authority's April meeting, staff has priced bond issues for Trinitas Hospital and AtlantiCare Regional Medical Center.

The bonds for Trinitas were issued in two series, with the tax-exempt Series 2007A (sized at \$65,050,000) being used to refund bonds issued in 1997 and to pay for bonds issued in 2000 that had been tendered by holders based on a recent offer made by the Trinitas. The taxable Series 2007B bonds (totaling \$65,350,000), together with the proceeds of a loan from Wachovia Bank, will be used to refund the remaining 2000 bonds. Assuming no change in federal tax laws and the receipt of a bond counsel opinion, the interest rate on the Series 2007B bonds can convert to a tax-exempt rate on or about April 2, 2010. If changes in the tax laws prevent a conversion, the taxable rate must be adjusted for the remaining term of the bonds.

The Trinitas bonds are rated "Baa3" by Moody's and "BBB-" by S&P. Series 2007A was structured with term bonds maturing in 2024 and 2030; the underwriters offered to purchase the bonds at a yield of 4.92% for the 2024 maturity and a yield of 5.046% for the 2030 maturity. Series 2007B was structured with serial bonds maturing in 2012, 2013 and 2014, and a term bond maturing in 2023. The 2012 maturity will have a taxable rate of 6.5% until 2010 and a tax-exempt rate of 4.75% until its maturity. The 2013 maturity will have rates of 6.5% and 4.80%. The 2014 maturity has rates of 6.5% and 4.85%. The term bond maturing in 2023 has rates of 6.5% and 5.25%. If the bonds cannot be converted, the taxable rates rise ranging from 7.31% to 8.08%.

Assuming the conversion, the Trinitas refunding will provide the hospital with a net present value of savings just over \$9.4 million (6.5%).

Mr. Hancock stated that AtlantiCare Regional Medical Center ("ARMC") priced its issue on May 22nd. The bonds are structured with serial bonds maturing from 2008 through 2027 and a final term maturing in 2037. ARMC was able to convince S&P and Fitch to increase their

ratings to “A+”, however, Moody’s maintained its “A2” rating. After an order period reflected significant investor interest, the managers offered to purchase the bonds with yields ranging from 3.82% to 4.82%. The all-in true interest cost for the issue is 4.80%.

Dr. Cohen asked what rate is used to calculate the net present savings, to which Mr. Hancock replied that different rates may be used depending on the specific circumstances. The arbitrage rate, the average interest rates on either the refunding or refunded bonds, or the all-in rates can be used in the calculation. In addition, staff reviews the hospital’s real savings, as well, which often occurs more in the first few years of an issuance. He responded to Dr. Cohen that staff does scrutinize the calculations to confirm their credibility, and Mr. Hopkins noted that the net present savings calculation includes the costs of issuance. Mr. Hancock’s bond sale report was for informational purposes only; no action was required.

JERSEY CITY MEDICAL CENTER LOAN

Mr. Hopkins reminded the Members that in the spring of 2006, it came to the attention of the State, the Department of Health and Senior Services (the “Department”) and the Authority that Jersey City Medical Center (“JCMC”) was in a dire financial crisis. As a result, the State provided substantial additional emergency funds to JCMC, which were matched by federal funds, to continue the hospital’s operations. The State, however, also imposed strict monitoring and reporting requirements to ensure that JCMC was operating as efficiently as possible.

The Department, the Authority and the Federal Housing Administration (“FHA”), which provides mortgage insurance for the more than \$200 million in bonds issued by the Authority on behalf of JCMC, have been monitoring and working closely with the JCMC board and management to implement a turnaround at the facility. With the consent of the Authority and the FHA, JCMC retained the services of Wellspring Partners to provide a report on JCMC’s financial condition, identify improvements and, ultimately, to implement an extensive turnaround plan.

Due to JCMC’s low liquidity, it was determined that, in order to retain Wellspring, JCMC would need additional funding from other sources. The Department had already advanced charity care and other State support to JCMC. Additionally, the FHA had agreed to lend JCMC approximately \$2.5 million from the Special Reserve Fund held by the FHA under the mortgage documents.

Mr. Hopkins stated that, in addition to those sources, JCMC has requested an emergency loan from the Authority’s fund balance in the amount of \$2,525,000. The terms are expected to be a 55-month loan, interest only through December 2008 followed by 36 months of interest, plus equal monthly principal payments from January 2009 through December 2011. Interest is expected to be charged at a monthly floating interest rate based on the New Jersey Cash Management Fund rate plus 50 basis points. If a payment default occurs, the Authority may charge a late fee of 5% of the amount overdue.

Mr. Hopkins asked the Authority to consider approving the requested emergency loan, in the form provided at the meeting, to Jersey City Medical Center in a principal amount not to exceed \$2,525,000, for a period not to exceed five years, including a period of up to two years of interest only payments, at the proposed monthly floating interest rate.

Deputy Attorney General Cliff Rones suggested that the proposed resolution include a proposed interest rate level, either one “not less than” or one “not to exceed.” Mr. Hancock suggested that Section I of the resolution be amended as follows:

Section 1. The Authority hereby authorizes a loan to JCMC at an initial monthly interest rate not less than 4% with a maturity date no later than December 1, 2011. The loan will be a general obligation of JCMC. The loan shall be made from the Authority's unencumbered funds.

Mr. Ronces approved this form for the Members' consideration.

Dr. Cohen asked about lender liability, to which Mr. Ronces stated that answering the question requires him to provide legal counsel which he will not do in public session, though a Member may move to go into Executive Session for such discussion. Mr. Jackson stated that he would also like to hear a response to Dr. Cohen's question. Dr. Jacobs asked, first, if there is a motion to approve the loan, since without any interest in voting on the issue, there would be no need for Executive Session. Mr. Escher moved to approve the emergency loan to Jersey City Medical Center, authorizing staff's execution of documents as needed to effectuate the loan. Ms. Stokely seconded. Mr. Jackson then moved for the Members to meet in Executive Session to receive advice from the Office of the Attorney General; Dr. Cohen seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-02

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority's By-Laws, the Authority meet in Executive Session to receive advice from the Office of the Attorney General.

BE IT FURTHER RESOLVED, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

Public session reconvened. Mr. Ronces reiterated the changed language that had been recommended by Mr. Hancock as the language that had been moved and seconded on. Mr. Jackson asked if the new interest rate language would also be added to Exhibit A, to which Mr. Hancock explained that, while the resolution allows the Authority to pursue offering the loan, giving broad guidelines, the Note and the Loan Agreements (including Exhibit A) state the actual interest intent, which is a monthly floating interest rate based on the New Jersey Cash Management Fund rate plus 50 basis points. Staff selected this rate because, if the funds remained in the Authority's fund balance, they would be invested in a money market account to accrue at approximately this rate. Mr. Jackson agreed with the rate. Mr. Hopkins then noted for Mr. Jackson's benefit (since he was on the telephone) that some language in the Note had been revised and was reflected in a document in front of the Members in attendance. He read the revised portion, and Mr. Jackson had no comment on the new language.

Mr. Escher had moved to approve the emergency loan to Jersey City Medical Center, authorizing staff's execution of documents as needed to effectuate the loan. Ms. Stokely had seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-03

(attached – as revised at the meeting)

AMENDMENT to the 2007 BUDGET

Navigant Consulting Contract

Steve Fillebrown reminded the Members that, at the November 21, 2006 meeting, the Authority appointed Navigant Consulting to assist the *Commission on Rationalizing Health Care Resources in New Jersey* and approved Navigant's professional fees and travel expense proposal of \$627,215 and \$13,000 respectively (totaling \$640,215) for the 2007 budget.

At the April meeting, a budget modification was approved by the Authority allowing for an additional \$35,550 in Navigant fees and \$2,000 in travel expenses. The changes reflected an expanded project scope, which required more on-site participation from Navigant than was stated in the original contract. During the discussion for this April budget amendment, Members asked that staff present a revised complete budget for the project, rather than seeking incremental increases in the line item as the project evolves.

To that end, staff met with representatives from Navigant and Michele Guhl, Executive Director of the Commission, to discuss the project budget for the rest of the engagement. Based on that meeting, staff identified the three following changes to the project budget.

1. As noted in the letter from Michele Guhl (attached), Governor Corzine asked for an interim report on the Commission's progress to use for the preparation of the State's 2008 budget. Since the original due date for the final report was June 1, 2007, the Navigant contract did not account for an interim report. Therefore, Navigant requests an additional \$19,000 to prepare a draft of the interim report and to make edits based on feedback from the Commission.
2. With the Commission's schedule extended by at least six months, Navigant will be expected to attend four additional meetings not planned for in the original contract, at an additional cost of \$13,700.
3. Navigant estimates it will spend approximately five additional hours reviewing materials and participating in telephone calls and conference calls related to questions from the Commission that are not directly related to tasks outlined in the original contract at an added cost of \$1,500.

In total, Navigant requests an additional \$34,200 for these three changes to the contract. In response to the Members request, the total fee for the Navigant engagement has been re-estimated at \$711,965, including (i) the original fee quote of \$640,215, (ii) \$37,500 for participation in deliberations, attendance at two additional meetings and additional travel expenses, and (iii) \$34,200 for the additional items just mentioned.

Mr. Fillebrown reported that, while staff believes that all of the necessary budget and contract changes have now been anticipated, the Commission may, at the Governor's direction or of its own accord, request additional work from Navigant, which is difficult to predict, as Ms. Guhl notes in her letter. If there are any further proposed changes to the scope of Navigant's engagement, Ms. Guhl and the Authority staff will communicate these changes to the Authority immediately. Mr. Fillebrown then requested the Members' consideration of the amendment to the Authority's 2007 Budget, (specifically to the line item: "Consultant – *Commission on Rationalizing Health Care Resources in New Jersey*") to allow for the additional fees.

Mr. Jackson asked what factor of incremental growth this increase reflects, to which Mr. Fillebrown noted that the additional \$34,200 shows an increase of approximately 5%. Mr. Escher noted that at April's meeting, another 5% increase was also approved. Mr. Escher stated that, being in this line of business, he feels that the whole 10% growth is a reasonable amount of contract expansion.

Mr. Escher made a motion to approve requested addendum to the Navigant Consulting contract, thereby amending the 2007 budget to cover the new costs associated with the addendum, Ms. Stokely seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-04

WHEREAS Navigant Consulting, hired by the Authority to serve the *Commission on Rationalizing Health Care Resources in New Jersey*, requests additional fees and travel expenses to cover increases made to the project scope,

NOW, THEREFORE, BE IT RESOLVED that the Authority hereby amends the 2007 Budget, increasing the “Consultant-*Commission on Rationalizing Health Care Resources in New Jersey*” line item by a \$34,200 to cover these additional expenses, bringing the total budgeted expense for the line item to \$711,965.

RENEWAL of MEMORANDUM OF AGREEMENT with DEPARTMENT of HEALTH & SENIOR SERVICES

Authority’s Financial Review Services

Mr. Fillebrown reminded the Members that in June 2004, the Authority signed a Memorandum of Agreement (“MOA”) with the Department of Health and Senior Services (“DHSS”) to provide financial data services. Under that agreement, the Authority modified its Apollo System for use by DHSS staff and began collecting and analyzing financial information for the DHSS. In addition, under this agreement, Authority staff reviews the financial information provided in Certificate of Need applications and provides DHSS staff with completeness review questions for the applications.

Mr. Fillebrown noted that the arrangement is mutually beneficial. DHSS benefits from the Authority’s review process, both in terms of cleaning the data and in analyzing the information. The Authority benefits because the data is now collected under the DHSS’ statutory powers, which includes submittal deadlines with penalties. As a result, the Authority is able to maintain more complete and timely information.

The 2004 MOA expires on June 30, 2007. On behalf of staff, Mr. Fillebrown proposed renewing the agreement, but with minor changes. The key differences are:

- there is no development phase in this agreement since the system is up and running;
- there are slight changes in the staff allocation based on the actual experiences in the last three years; and,
- the fee is updated to reflect current fringe benefit and indirect costs.

The proposed fee for the quarterly collection and review of financial information is \$4,500. The fee for review of Certificate of Need applications will vary between \$1,700 and \$8,500, depending on the number of applications received.

Mr. Fillebrown added that Deputy Attorney General Cliff Rones approved the form of the MOA. Mr. Escher offered a motion to renew the MOA, as presented; Ms. Stokely seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-05

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves the attached form of the “MEMORANDUM OF AGREEMENT BETWEEN THE DEPARTMENT OF HEALTH AND SENIOR SERVICES (DHSS) DIVISION OF MANAGEMENT AND ADMINISTRATION AND THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY FOR QUARTERLY FINANCIAL DATABASE MAINTENANCE AND DATA ANALYSIS.”

AUTHORITY EXPENSES

Dr. Jacobs referenced a summary of Authority expenses and invoices. Mr. Escher offered a motion to approve the bills and to authorize their payment; Ms. Stokley seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-06

WHEREAS, the Authority has reviewed memoranda dated May 17, 2007, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$697,325.94, \$14,663.20 and \$167,353.22 respectively, and has found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves all expenses as submitted and authorizes the execution of checks representing the payment thereof.

OLD/NEW BUSINESS

A. *Election of Officers*

Since the May meeting serves as the Authority’s Annual Meeting, Mr. Jackson offered a motion to elect the following slate of Authority officers for the coming year.

Officers of the Authority

Vice Chairman	Gus Escher
Secretary	Ulysses Lee
Assistant Secretaries	Dennis Hancock Carole Conover (one vacancy)
Treasurer	Moshe Cohen
Assistant Treasurer	(vacant)

Authority Finance Committee

Chairman	Moshe Cohen
Members	Gus Escher Ulysses Lee

Mr. Escher seconded the nominations. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. HH-07

WHEREAS, with respect to the Authority's elected official positions, one of the three Assistant Secretary roles and the role of Assistant Treasurer will remain vacant and may be filled at a later date with the appointment of new Authority Members,

NOW, THEREFORE, BE IT RESOLVED, that the following individuals are hereby elected to serve in the official positions noted until May 26, 2008, or until the next election of officers:

Vice Chairman - Gus Escher

Secretary - Ulysses Lee

Assistant Secretaries - Dennis Hancock and Carole Conover

Treasurer - Moshe Cohen

BE IT FURTHER RESOLVED, that the Authority's Finance Committee will be chaired by Moshe Cohen, with Gus Escher and Ulysses Lee serving as committee members.

Dr. Jacobs, who continues to serve as Chairman of the Authority throughout his tenure as Commissioner of the Department of Health and Senior Services, noted that the term of the Authority's elected officers will begin immediately following the Governor's ten-day veto period, barring any veto notification from the Governor's Office.

B. Executive Order #34 Committee

Dr. Jacobs reminded the Members that at the April Authority meeting, the Members rejected a revision to the Authority's procurement policy, expressing concerns that the Authority could better address the intention of Executive Order No. #34, which relates to women- and minority-owned businesses. Dr. Jacobs wished to designate a committee to draft an Authority procurement policy that best addresses the Members' concerns, and nominated Public Member Ulysses Lee, and staff members Bill McLaughlin and Marji McAvoy to serve on the proposed Executive Order #34 committee. He also nominated Gus Escher to serve as the committee's chair. Mr. Jackson moved to approve the nominations; Mr. Escher seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. HH-08

WHEREAS, the Authority must approve a procurement policy to comply with the Governor's Executive Order No. 34; and

WHEREAS, the Authority rejected a proposed procurement policy at the April 26, 2007 meeting;

NOW, THEREFORE, BE IT RESOLVED, that the following individuals shall serve on a committee to draft a new procurement policy, adhering to the requirements of Executive Order No. 34, that will be presented for the Authority's approval at a later date:

Chairman – Gus Escher
Member – Ulysses Lee
Member – Bill McLaughlin
Member – Marji McAvoy

C. Adoption of 2007-2008 Meeting Schedule

Dr. Jacobs referenced a proposed list of dates on which to conduct meetings of the Authority and its Finance Committee for the coming year. Mr. Jackson offered a motion to adopt the schedule; Mr. Lee seconded. The vote was unanimous and the motion was carried.

AB RESOLUTION NO. HH-09

NOW THEREFORE, BE IT RESOLVED, that the Authority hereby adopts the following schedule of dates on which to conduct meetings of the Finance Committee and the Authority; and,

BE IT FURTHER RESOLVED, that, as provided by the provisions of the Open Public Meetings Act and the Authority's By-laws, the Assistant Secretary is authorized to provide notice of these meeting dates to the Authority's designated newspapers, to post notice in the Authority offices and on the Authority's website, and provide notice to the Secretary of State:

FINANCE* 10:00 a.m.	AUTHORITY 10:00 a.m.
2007 Tuesday, June 12 Tuesday, July 10 Tuesday, August 7 Tuesday, September 11 Tuesday, October 9 Wednesday, November 7 Tuesday, December 11	2007 Thursday, June 28 Thursday, July 26 Thursday, August 23 Thursday, September 27 Thursday, October 25 Tuesday, November 15 Thursday, December 18
2008 Tuesday, January 8 Tuesday, February 13 Tuesday, March 11 Tuesday, April 8 Tuesday, May 6	2008 Thursday, January 24 Thursday, February 28 Thursday, March 27 Thursday, April 24 Thursday, May 22**

*A Finance Committee meeting has also been scheduled immediately following every Authority meeting.

Dr. Jacobs noted for the record that, unless advertised to the contrary, all meetings are open to the public and shall be held in the Authority's office on the fourth floor of Building #4, Station Plaza, South Clinton Avenue, Trenton, New Jersey. Dr. Jacobs added that the Authority's staff will perform the required public announcement and notification of the meeting dates once the Governor's ten-day veto period has passed.

STAFF REPORTS

Dr. Jacobs thanked staff for their preparation of reports that were distributed for review, including the Project Development Summary, Cash Flow Statement, and a Legislative Advisory. Mr. Hopkins then announced the following items in his Executive Director's Report:

1. The Authority's Board Retreat is scheduled for Monday, June 4th from noon until 5:00 p.m. and Tuesday, June 5th from 8:30 a.m. to 5:00 p.m. at the Sheraton Hotel on Route 1 in Woodbridge. Draft background materials were distributed to the Members; final background materials will be handed out at the retreat. Dr. Jacobs will serve as a guest speaker for the June 4th lunch hour; and Michelle Guhl, Executive Director of the *Commission on Rationalizing New Jersey's Health Care Resources* will serve as the guest speaker for the June 5th lunch hour.
2. Mr. Hopkins thanked the Authority Members and senior staff for filing Financial Disclosure Statements, as required, by May 15th.
3. The *Commission on Rationalizing New Jersey's Health Care Resources* held a meeting at the Authority's offices on April 30th to receive input from major hospital associations serving New Jersey hospitals. The Commission's next meeting will be held here on May 30th. The Commission is expected to issue its interim report on June 1st.
4. In hospital news, Henry Amoroso announced that he is stepping down from his role as President and Chief Executive Officer of Cathedral Health Services, effective July 1st. Also, University Hospital, Newark Beth Israel Medical Center and St. Michaels Medical Center are in discussions to create an alliance which could result in all heart surgeries being performed at Newark Beth Israel and St. Michaels. Research and education would be handled by University Hospital.

Mr. Escher asked if the Commission's interim report from Navigant Consulting will be available to the public, noting that the Commission's Executive Director will be speaking at the Authority's retreat and he would like to have read the report before her presentation. Dr. Jacobs and Mr. Fillebrown stated that the information from the report will be largely available on the Commission's website, noting that much of the information is already available on the site.

AUTHORIZATION FOR IDENTIFICATION OF A SWAP AGREEMENT

Virtua Health, Inc.

Lou George reminded the Members that, at the April Meeting, Virtua Health, Inc. ("Virtua") received approval to pursue a negotiated sale of bonds to fund a proposed \$567 million construction project which, together with refundings, will increase to \$652 million.

Virtua now requests that the Authority approve the identification, for tax purposes, of an interest rate agreement on a forward basis to hedge against any variability in interest rates that may occur prior to their bond sale. Regulations require the identification to occur within three days of the execution of the Hedge Agreement.

Mr. George stated that Virtua anticipates issuing LIBOR based tax-exempt floating rate bonds at some later date. The hedge agreement will provide cash flows from a swap counterparty that will exactly offset the interest expense associated with those bonds.

Virtua will also make fixed rate payments to the swap counterparty that will be dependent upon two components, the swap market and the credit spread of the underlying bonds. By using a forward product, Virtua can lock in the swap market component immediately to limit future interest rate exposure solely to the credit spread factor.

Mr. George noted that the proposed resolution authorizes an Authorized Officer to execute documents as needed to state that the swap agreement is applicable to Virtua's bond issue so that the three-day window requirement can be met. The adoption of this resolution does not in any way obligate the Authority approve a future contingent sale of bonds.

Mr. Escher offered a motion to authorize the proposed identification of a swap agreement for Virtua's anticipated bonds; Mr. Lee seconded. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-10

(attached)

EXECUTIVE SESSION

At this point, as permitted by the Open Public Meetings Act and the Authority's By-Laws, Dr. Jacobs asked the Members to meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General. Mr. Escher offered a motion to enter the session; Ms. Stokley seconded it. The vote was unanimous and the motion carried.

AB RESOLUTION NO. HH-11

NOW, THEREFORE, BE IT RESOLVED, that, as permitted by the Open Public Meetings Act and the Authority's By-Laws, the Authority meet in Executive Session to discuss personnel and contractual matters, and to receive advice from the Office of the Attorney General.

BE IT FURTHER RESOLVED, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

Mr. Jackson disconnected from the meeting during Executive Session.

Public session reconvened. Mr. Hopkins read a resolution (attached) outlining certain waivers to the Authority's permit and approval requirements, given the specific circumstances of the proposed 2007 Virtua Health, Inc. bond transaction. Mr. Escher moved to approve the resolution; Ms. Stokely seconded. Dr. Jacobs voted yes, Mr. Escher voted yes, Dr. Cohen voted no, Mr. Lee voted yes, and Ms. Stokely voted yes. The motion carried and the resolution was adopted.

AB RESOLUTION NO. HH-12
(attached)

As there was no further business to be addressed, Mr. Escher moved to adjourn the meeting, Dr. Jacobs seconded. The vote was unanimous, and the motion carried at 12:30 p.m.

I HEREBY CERTIFY THAT THE
FOREGOING IS A TRUE COPY OF
MINUTES OF THE NEW JERSEY
HEALTH CARE FACILITIES
FINANCING AUTHORITY MEETING
HELD ON MAY 24, 2007.

Dennis Hancock
Assistant Secretary